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ANNUAL REPORT

OF

STRAWBRIDGE & CLOTHIER

PHILADELPHIA, PA.

FOR THE FISCAL YEAR ENDED
JANUARY 31, 1941

BOARD OF DIRECTORS

MORRIS L. CLOTHIER, *Chairman*

HERBERT J. TILY
ISAAC H. CLOTHIER, JR.
ROBERT E. STRAWBRIDGE
FREDERIC H. STRAWBRIDGE
FRANCIS R. STRAWBRIDGE
HOWARD COOPER JOHNSON
JOHN JACKSON
J. CLAYTON STRAWBRIDGE

OFFICERS

MORRIS L. CLOTHIER, Chairman of the Board
HERBERT J. TILY, President
ISAAC H. CLOTHIER, JR., Vice-President
ROBERT E. STRAWBRIDGE, Vice-President
HOWARD COOPER JOHNSON, Vice-President and Treasurer
JOHN JACKSON, Secretary
L. G. ANDREWS, Assistant Treasurer
J. CLAYTON STRAWBRIDGE, Assistant Secretary

STRAWBRIDGE & CLOTHIER

REPORT OF THE PRESIDENT

March 26, 1941.

To the Stockholders of Strawbridge & Clothier:

The balance sheet of Strawbridge & Clothier as of January 31, 1941, and the income account for the year ended January 31, 1941, are submitted herewith, duly certified by Ernst & Ernst, accountants elected by the stockholders.

Net profit for the last fiscal year, after adequate provisions for reserves amounted to $1,053,161.11 as compared with $867,670.30 for the preceding fiscal year.

Regular quarterly dividends of $1.50 per share were paid in March, June, September, and December on the prior preference stock, and dividends of $1.00 per share were paid in April, July, October, December and January on the 7% preferred stock.

The taxes for last year are equivalent to $9.38 per share on the outstanding preferred stock issues, and approximately $256.00 for each of the average number of persons employed by your company.

Our regular registered employees worked through the year without interruption, which makes the total unemployment insurance paid of $177,000.00 an excessive charge on your company. It is our hope that merit rating in this State will be adopted before long.

We continuously study the requirements of the public in order that we may continue to give what we believe to be a superlatively good service. That we are able to continue to do this is due to the intelligent and studious cooperation of employees and managers in all departments of the business, for which we again express our sincere appreciation and gratitude.

HERBERT J. TILY,
President.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
PHILADELPHIA
FIDELITY-PHILADELPHIA TRUST BLDG.

March 21, 1941.

Board of Directors,
STRAWBRIDGE & CLOTHIER,
Philadelphia, Pa.

We have examined the balance sheet of STRAWBRIDGE & CLOTHIER as of January 31, 1941, and the statement of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate, except that, as requested, we did not communicate with customers to confirm balances.

Sinking fund requirements of the first mortgage 5% bonds for the three years ending September 1, 1943, have been anticipated from proceeds of an issue of serial notes. Prior preference 6% cumulative stock and preferred 7% cumulative stock sinking fund requirements have been complied with.

In our opinion, subject to the limitation on the scope of our work above set forth, the accompanying balance sheet and related statement of profit and loss and surplus present fairly the position of STRAWBRIDGE & CLOTHIER at January 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

STATEMENT OF PROFIT AND LOSS AND SURPLUS

STRAWBRIDGE & CLOTHIER

Fiscal year ended January 31, 1941

Profit before deducting interest, depreciation and provision for federal and state income taxes		$2,341,570.86
Deduct: Interest	$489,568.84	
Depreciation	413,840.91	
		903,409.75
PROFIT BEFORE TAXES ON INCOME		$1,438,161.11
Taxes on income:		
Provision for current year—estimated:		
Federal income tax	$317,000.00	
State income tax	68,000.00	
		385,000.00
NET PROFIT		$1,053,161.11
Earned surplus at February 1, 1940		2,347,104.37
		$3,400,265.48
Surplus Charges:		
Cash dividends declared:		
Prior preference ($6.00 per share)	$91,812.00	
Preferred ($5.00 per share)	415,386.00	
		507,198.00
EARNED SURPLUS—JANUARY 31, 1941		$2,893,067.48
Capital and appreciation surplus at February 1, 1940	$4,049,420.30	
Add discount on preferred stock acquired	55,707.84	
	$4,105,128.14	
Deduct amortization of appreciation of building values	35,995.71	
CAPITAL AND APPRECIATION SURPLUS—JANUARY 31, 1941		$4,069,132.43
TOTAL SURPLUS—JANUARY 31, 1941		$6,962,199.91

BALANCE

STRAWBRIDGE

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ASSETS

CURRENT ASSETS			
Cash		$989,110.01	
Accounts receivable:			
Customers' charge accounts	$2,813,423.81		
Customers' installment accounts	1,780,952.90		
Creditors' debit balances	107,009.19		
	$4,701,385.90		
Less reserve for doubtful	200,000.00		
		4,501,385.90	
Merchandise inventories—at retail less accumulated departmental mark-up		3,682,093.48	
			$9,172,589.39
OTHER ASSETS			
Affiliated company (50% owned) at cost		$126,396.67	
Other investments at cost	$80,198.48		
Sundry accounts receivable and deposits	18,107.08		
	$98,305.56		
Less reserve	75,000.00		
		23,305.56	
			149,702.23
PROPERTY, FIXTURES AND EQUIPMENT—Note A			
Operating—land, buildings and equipment (after reserve of $5,366,849.70 for depreciation)		$21,271,398.41	
Non-operating—land and buildings (after reserve of $88,630.78 for depreciation)		516,899.00	
			21,788,297.41
DEFERRED			
Unamortized bond discount and expense		$125,712.42	
Supply inventories and prepaid expense		188,569.49	
			314,281.91

Note A—The depreciated value of land and buildings is the sound reproductive value as independently appraised at April 30, 1928, adjusted for subsequent property changes, including additions at cost, less provision for subsequent depreciation. Fixtures and equipment are valued at cost less accumulated provision for depreciation.

Note B—Dividends on the prior preference 6% cumulative stock have been paid to November 30, 1940, a dividend date. Accumulated dividends on the preferred 7% cumulative stock to December 31, 1940, a dividend date, amounted to $42.50 per share. In January, 1941, a dividend of $1.00 was paid.

$31,424,870.94

SHEET

& CLOTHIER

31, 1941

LIABILITIES

Current Liabilities			
Notes payable to banks		$1,500,000.00	
Serial note payable August 1, 1941		200,000.00	
Accounts payable		1,197,610.47	
Accrued accounts		419,479.54	
Federal, state and local taxes		599,329.12	
Employees' and sundry deposits		90,601.67	
Dividends payable		22,953.00	
			$4,029,973.80
Serial Notes Payable			
Due semi-annually from August 1, 1941, to August 1, 1943		$1,050,000.00	
Less amount classified as current liability		200,000.00	
			850,000.00
Mortgage Payable			
First mortgage on branch store—maturing July 20, 1942			400,000.00
First Mortgage 5% Sinking Fund Bonds—1948			7,297,000.00
Reserves			
For self-insurance and contingencies			282,850.00
Capital Stock and Surplus			
Capital stock:			
Prior preference (total authorized 146,800 shares)			
Series A 6% cumulative, par value $100.00 per share, redeemable at $105.00 per share—authorized 16,800 shares; outstanding 15,302 shares after deducting 1,498 shares in treasury	$1,530,200.00		
Preferred 7% cumulative, par value $100.00 per share, redeemable at $105.00 per share—authorized 87,000 shares; outstanding 82,708 shares after deducting 4,292 shares in treasury	8,270,800.00		
Common, no par value—authorized 300,000 shares; issued and outstanding 30,000 shares	1,801,847.23		
		$11,602,847.23	
Surplus (including $579,000.00 applied to repurchase of capital stock in treasury):			
Capital and appreciation surplus	$4,069,132.43		
Earned surplus	2,893,067.48		
		6,962,199.91	
			18,565,047.14
			$31,424,870.94